

MMS' IMPLEMENTATION OF NATIONAL ENERGY POLICY

Presented to the Outer Continental Shelf
Policy Committee

Walter Cruickshank
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MMS' Implementation of National Energy Policy

- The President's National Energy Policy Report
- MMS' Implementation Plan
- Energy legislation--provisions potentially impacting MMS

National Energy Policy

Addresses the principal energy challenges the nation faces today:

- Promoting conservation
- Repairing and modernizing infrastructure
- Increasing energy supply while protecting the environment

The President's National Energy Policy Report

- Issued May 17, 2001, by the National Energy Policy Development Group
 - Led by Vice President
 - 13 Cabinet members, agency heads, and senior aides
- 105 recommendations in eight chapters
 - 11 directly relevant to MMS

Implementing the Report's Recommendations

- Occurring at all levels of the Federal Government
- Each DOI bureau has its own Implementation Plan
- Intra-DOI activities
- Interagency activities

MMS' Implementation Plan

MMS has developed proposed actions and schedules to respond to specific recommendations in the Report

OCS Leasing

- NEP recommendation: Secretary of the Interior should continue OCS oil and gas leasing and approval of exploration and development plans on predictable schedules
- Action: MMS will hold remaining sales in the current 5-Year Leasing Program

OCS Leasing

- Action: MMS will complete the new 5-Year Program for 2002-2007
 - July 1, 2002
- Action: MMS will review exploration and development plans for Liberty project in Alaska's Beaufort Sea

Royalty Relief

- NEP recommendation: Consider economic incentives for environmentally sound offshore oil and gas development
- Action: MMS has implemented royalty suspensions for new oil and gas leases in deepwater areas of the Gulf of Mexico and for natural gas production from deep wells in the Gulf's shallow waters

Royalty Relief

- MMS intends to provide an incentive for natural gas production from deep wells from existing leases in shallow waters of the Gulf of Mexico
 - Proposed rule expected January 2002

Energy-related Project Approvals

- NEP recommendation: Expedite permits and other federal actions necessary for energy-related project approvals
- Action: MMS will work with other agencies to improve efficiency of OCS permitting processes

Energy-related Project Approvals

- Action: MMS will issue a Record of Decision on Floating Production, Storage, and Offloading systems (FPSOs)
- Action: MMS is developing Offshore Program Plans for E-Government

Technology Assessment and Research Program

- Will fund research on drilling and completing extended reach and multilateral wells
- Will assess safety-related technologies and perform necessary applied research
- Will fund developing a methodology for assessing acceptable loads and residual service lives of existing pipelines

Working with the Department of Commerce

- With NOAA, review regulations governing coastal zone consistency
- Develop and implement a process for Interior and Commerce to identify potential new Marine Protected Areas and existing MPAs requiring enhanced protection

Minerals Revenue Management Actions

- Low Income Home Energy Assistance Program: MMS will work with OMB and HHS to propose legislation to provide additional resources for LIHEAP in times of high energy prices
- Strategic Petroleum Reserve: MMS will assist the Administration in determining whether to resume delivery of Gulf of Mexico royalty oil to the SPR

Intra-DOI Activities

- May 18 Executive Order to rationalize permitting for energy production
- Department looking at streamlining its permitting processes
- Cross-bureau teams
 - National Environmental Policy Act compliance
 - Energy Rights-of-Way
 - Endangered Species Act Sec. 7 Consultations
 - National Historic Preservation Act issues

Interagency Activities

- Executive Order established Council on Environmental Quality (CEQ) Energy Task Force to expedite permit reviews and completion of energy projects
- *Federal Register* notice requesting examples of permitting processes that should be streamlined and major projects relevant to CEQ efforts

Energy Legislation

- House passed H.R. 4, the Securing America's Future Energy Act, in July 2001
- Senate currently considering legislation

H.R. 4 - Royalty Relief

- Deep water royalty relief
 - sets suspension volumes for leases in greater than 400 meters of water in certain parts of the Gulf of Mexico
 - National Academy of Sciences review of resource assessments and lease terms

H.R. 4 - Royalty Relief

- Marginal wells
 - reduce royalty rates
 - when prices below thresholds for 180 consecutive days
 - for wells producing less than
 - 30 barrels/120 million Btu's per day onshore
 - 300 barrels/1200 million Btu's per day offshore

H.R. 4 - Subsalt

- Secretary may grant a suspension of operations to:
 - allow reprocessing and reinterpretation of geophysical data
 - identify drilling objectives beneath allocthonous salt sheets

H.R. 4 - Royalty in Kind

- RIK provision lasts for 5 years
 - authority for MMS to pay for transportation and processing of RIK volumes
 - codifies current practices
 - RIK only when Secretary determines its benefits are at least as great as a comparable royalty-in-value program

H.R. 4 - Research

- Ultra-deepwater and unconventional gas technology research, development & demonstration
 - exploration, production and environmental mitigation technologies
 - funded by Federal lease revenues